

AMERICAN STORES COMPANY

Philadelphia

Annual Report

TO THE STOCKHOLDERS

FOR THE FIFTY-TWO WEEKS ENDED APRIL 1, 1950

Officers

<i>President</i>	WILLIAM PARK
<i>Vice-President and General Manager</i>	FRED J. HEANEY
<i>Vice-President</i>	FRED W. JOHNSON
<i>Vice-President</i>	WM. H. EDEN
<i>Secretary</i>	E. A. COLSON
<i>Treasurer</i>	JOHN R. PARK
<i>Assistant Treasurer</i>	S. C. ARCHER
<i>Assistant Secretary</i>	J. V. KEERS
<i>Assistant Secretary</i>	A. J. FAULHABER

Directors

SAMUEL ROBINSON	WILLIAM PARK
^E. J. FLANIGAN	WM. M. M. ROBINSON *
JOSEPH GILFILLAN	JOHN M. HANCOCK
WILLIAM GOULD	2 FRED J. HEANEY
^ JAMES M. SKINNER	*JAMES K. ROBINSON, JR.

* Deceased January 7, 1950

AMERICAN STORES COMPANY

424 North Nineteenth Street, Philadelphia 30, Pa.

AMERICAN STORES COMPANY

and Subsidiary Companies

Five Years' Summary

	1949-50†	1948	1947	1946	1945
Sales.....	\$416,644,432	\$417,466,738	\$388,613,836	\$314,574,528	\$233,541,509
Profit before Income Taxes.....	10,923,520	9,432,821	9,954,888	14,103,948	6,540,192
Federal and State Taxes on Income...	4,180,000	3,770,000	4,030,000	5,807,000	4,565,000
Net Income.....	6,743,520	5,662,821	5,924,888	6,001,348*	1,975,192
Per Share:					
Earnings.....	\$5.18	\$1.35	\$1.55	\$4.61*	\$1.51
Dividends.....	1.70	1.75	1.75	1.20	1.00
Stockholders' Equity:					
Total.....	50,446,128	44,108,342	40,722,831	37,075,253	32,635,489
Per Share.....	38.76	33.89	31.29	28.49	25.07
Current Assets.....	56,865,373	55,395,730	56,106,502	47,783,604	32,171,733
Current Liabilities....	17,471,011	16,516,246	16,309,740	21,808,569	10,347,568
Working Capital.....	39,394,362	38,879,484	39,796,762	25,975,035	21,824,165
Number of Retail Stores at Year-end:					
Self-service Super Markets.....	765	761	708	665	606
Other Stores.....	872	1,072	1,213	1,347	1,358
Total Stores.....	1,637	1,833	1,921	2,012	1,964

* After provision of reserve of \$2,295,600 for employees' retirement benefits, but before provision of reserve of \$1,500,000 for possible inventory price declines. The latter reserve was transferred to earnings retained for use in the business on April 1, 1950.

† 52 Weeks ended April 1, 1950. The short period (from January 1 to April 2, 1949) of transition from a calendar year to a fiscal year is not included in the foregoing summary.

-----TO THE STOCKHOLDERS-----

The report of your Company, presented herewith, covers the fiscal period of fifty-two weeks ended April 1, 1950. This is the first annual report for the new fiscal year of the Company which ends on the Saturday nearest March 31st. Last year a special report was issued to stockholders covering the short period from January 1 to April 2, 1949, being the period of transition from a calendar year to the new fiscal year. The report presented on the following pages includes a consolidated balance sheet as of April 1, 1950 and a statement of consolidated income and earnings retained for use in the business for the fifty-two week period ended on that date. Comparisons are made in each case with the short period ended April 2, 1949 and with the year ended December 31, 1948. There is also included herewith the certificate of Barrow, Wade, Guthrie & Co., independent public accountants.

Sales, Earnings and Dividends

Total sales for the fifty-two weeks ended April 1, 1950 amounted to \$416,644,432, comparing with \$417,466,738 for the calendar year 1948. While the sales dollar volume of the two periods was about the same, retail food prices during the fiscal year just ended averaged 4.7% less than during the calendar year 1948, thus indicating an increase in tonnage sales for the past year.

Net income for the fiscal year amounted to \$6,743,520, or \$5.18 per share, as contrasted with net income of \$5,662,821 for the calendar year 1948, or \$4.35 per share.

Quarterly dividends of 35¢ per share were paid on July 1 and October 1, 1949, and quarterly dividends of 50¢ per share were paid on January 3 and April 1, 1950, making total dividends for the fiscal year of \$1.70 per share. There were four quarterly dividends of 35¢ each and a special dividend of 35¢, making a total of \$1.75, in respect of the calendar year 1948, and a dividend of 35¢ for the short period from January 1 to April 2, 1949.

Property Improvements

Additions and improvements during the period amounted to \$5,232,331 and provision for depreciation was made in the sum of \$2,375,613.

During the year the Company purchased 34 acres of land at 57th Street and Upland Way, Philadelphia, adjoining the main line of the Pennsylvania Railroad, on which a warehouse and bakery will be erected. The new warehouse, which is to replace certain outmoded warehouse properties, will be a one-story building of structural steel and brick construction with a total floor space of about 500,000 square feet. The new bakery, which is intended to replace the two existing Philadelphia bakeries, will be a three-story reinforced concrete building with a total floor space of approximately 275,000 square feet. These facilities are being designed to streamline the handling of merchandise and materials so as to reduce operating costs per unit to the lowest possible level.

The Company's subsidiary, United States Coffee Corporation, now has under construction in Cartago, Colombia, a mill which will process coffee to be purchased from the growers and convert it into green coffee for shipment to the United States. It is anticipated that milling operations will commence in the fall of 1950.

Store Operations

On April 1, 1950, 1,637 retail stores were in operation compared with 1,833 on December 31, 1948 — a decrease of 196 units. The number of self-service markets in

operation at the end of the period was 765, comparing with 761 at December 31, 1948. There were 53 new self-service markets opened since 1948, representing the large, well equipped type of supermarket with ample parking facilities. During the same period 49 of the older and smaller markets were closed. Existing markets are being modernized wherever local conditions indicate that the required expenditure is warranted.

The practicability of installing air conditioning in markets is being carefully considered. Several new markets have been so equipped and customer reaction, particularly during the summer months, will be studied with interest.

General Reserves

In 1946 the Company provided out of earnings a reserve for possible inventory price declines in the amount of \$1,500,000, and there has been accumulated out of earnings over a period of years a general reserve for contingencies which amounted to \$775,691. If and when inventory losses or extraordinary losses should occur in the future, they will be charged to income account or to earnings retained for use in the business, as may be appropriate in the light of generally accepted accounting principles. Under the circumstances, the Board of Directors has decided to close out the two said reserves by transferring the total balance of \$2,275,691 to earnings retained for use in the business.

Employee Relations

The Company's training program, which has proven its effectiveness in teaching our men and women better methods of performance, has been continued with worthwhile results.

At April 1, 1950 there were 231 retired employees receiving retirement income payments under the Supplementary Employees Retirement Plan and 61 others were receiving income under the early retirement provision of the Employees Retirement Plan.

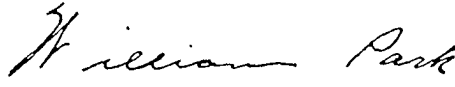
Payments to the Equitable Life Assurance Society with respect to the Employees Retirement Plan totaled \$1,278,833 in the past fiscal year, \$649,198 being the Company's portion of the current cost and the balance of \$629,635 representing approximately 20% of the initial past service liability, all of which is borne by the Company.

During the fiscal year death benefits of \$123,500 were paid to the beneficiaries of deceased employees under the Company's group life insurance program, and benefits of \$164,000 were paid to employees in respect of accident and health insurance.

The cooperation and loyalty of all ASCO men and women have contributed greatly to the satisfactory results of the year.

WILLIAM M. M. ROBINSON

We record with deep sorrow the death of Mr. William M. M. Robinson on January 7, 1950. One of the founders of the Company, he served as Vice-President and Treasurer until his retirement in 1916. He was a Director of the Company from 1921 until the time of his death.


President

June 2, 1950.

American Stores Company

Comparative Consolidated Balance Sheet

ASSETS

	April 1, 1950	April 2, 1949*	Dec. 31, 1948
CURRENT ASSETS			
Cash.....	\$12,116,172	\$14,050,966	\$12,448,102
U. S. Government Securities — at cost which approximates market value....	2,492,975	—	—
Accounts Receivable.....	1,528,439	1,581,402	1,826,676
Inventories—at lower of cost or market..	40,727,787	38,675,960	41,120,952
TOTAL CURRENT ASSETS.....	56,865,373	54,308,328	55,395,730
Mortgages, etc.....	216,476	202,932	219,833
FIXED ASSETS			
Land, Buildings, Machinery, Equipment, Fixtures, etc.—at cost.....	38,951,290	34,283,070	33,606,451
Less: Reserve for Depreciation... ..	14,563,194	12,393,102	12,500,431
	<u>24,388,096</u>	<u>21,889,968</u>	<u>21,106,020</u>
Unamortized Cost of Leasehold Improve- ments.....	1,176,937	858,468	837,472
Goodwill.....	1	1	1
DEFERRED CHARGES			
Prepaid Insurance, Taxes, etc.....	1,477,951	1,326,371	742,156
	<u>\$84,124,834</u>	<u>\$78,586,068</u>	<u>\$78,301,212</u>

* Close of period of transition

NOTES PAYABLE, DUE 1952-67: Interest on \$7,500,000 is at the rate of 2½% per annum, subject to repayment beginning August 1, 1952 at the rate of 4½% annually, offset by the proceeds of the sale of common stock and the reacquisition and retirement of shares of stock of the Company. The Company is free of the said restrictions.

LONG TERM LEASES: Real property leased to the Company and its subsidiaries for a term of years in the aggregate amount of \$3,190,000, represented by a total of 549 leases.

and Subsidiary Companies

Consolidated Balance Sheet

LIABILITIES AND STOCKHOLDERS' EQUITY

	April 1, 1950	April 2, 1949*	Dec. 31, 1948
CURRENT LIABILITIES			
Accounts Payable and Accrued Charges . . .	\$12,077,333	\$10,874,517	\$10,696,627
Dividend Payable	—	—	910,924
Accrued Federal and State Taxes	5,393,678	5,060,212	4,908,695
TOTAL CURRENT LIABILITIES . . .	17,471,011	15,934,759	16,516,246
 Purchase Obligations	 57,293	 114,586	 171,879
Notes Payable, due 1952-67	15,000,000	15,000,000	15,000,000
 RESERVES			
Employees' Retirement Income Benefits . . .	1,150,402	1,572,355	1,680,231
Possible Inventory Price Declines	—	1,500,000	1,500,000
Contingencies	—	825,207	824,514
	1,150,402	3,897,562	4,004,745
 STOCKHOLDERS' EQUITY			
Common Stock—no par value			
Authorized—1,500,000 shares			
Issued and Outstanding—1,301,320 shares	18,008,555	18,008,555	18,008,555
Earnings Retained for Use in the Business	32,437,573	25,630,606	24,599,787
	50,446,128	43,639,161	42,608,342
	\$81,124,834	\$78,586,068	\$78,301,212

* Calendar year to fiscal year.

on the remaining \$7,500,000 at 3% per annum. The notes are due August 1, 1967, the amount borrowed. The notes contain restrictions as to the payment of cash dividends and the earnings retained for use in the business at April 1, 1950, an amount of \$13,595,184

for a term more than three years from March 28, 1953 involves minimum annual rentals

American Stores Company and Subsidiary Companies

Comparative Statement of Consolidated Income and Earnings Retained for Use in the Business

INCOME ACCOUNT	52 Weeks ended April 1, 1950	January 1 to April 2, 1949*	Year ended Dec. 31, 1948
Sales—Retail Stores.....	\$108,708,981	\$103,812,559	\$109,106,198
Sales—Others.....	7,935,118	2,068,200	8,360,510
	<u>116,644,132</u>	<u>105,880,759</u>	<u>417,466,738</u>
COST OF SALES AND OPERATING EXPENSES			
Cost of Merchandise Sold, including Warehousing and Transportation Expenses.....	348,411,603	89,414,703	355,230,257
Wages, Rents, Advertising, Operating and Administrative Expenses.....	51,497,697	13,267,112	50,414,012
Depreciation.....	2,375,613	548,463	1,946,817
	<u>105,317,913</u>	<u>103,230,308</u>	<u>407,591,116</u>
PROFIT FROM OPERATIONS	<u>11,326,519</u>	<u>2,650,451</u>	<u>9,875,622</u>
Interest on Loans, etc.....	161,621	110,152	457,010
Less: Miscellaneous Income.	58,622	1,282	11,239
	<u>102,999</u>	<u>109,170</u>	<u>442,801</u>
PROFIT BEFORE INCOME TAXES.	<u>10,923,520</u>	<u>2,541,281</u>	<u>9,432,821</u>
Federal and State Income Taxes.....	1,180,000	1,055,000	3,770,000
NET INCOME	<u>\$ 6,743,520</u>	<u>\$ 1,486,281</u>	<u>\$ 5,662,821</u>
EARNINGS RETAINED FOR USE IN THE BUSINESS			
Balance at beginning of period.....	\$ 25,630,606	\$ 21,599,787	\$ 21,214,276
Net Income for period.....	6,743,520	1,486,281	5,662,821
Transfer from Reserves for Possible Inventory Price Declines and General Contingencies.....	2,275,691	—	—
	<u>31,649,817</u>	<u>26,086,068</u>	<u>26,877,097</u>
Dividends:			
\$1.70 per share.....	2,212,214		
.35 per share.....		155,462	
1.75 per share.			2,277,310
BALANCE AT END OF PERIOD.	<u>\$ 32,137,573</u>	<u>\$ 25,630,606</u>	<u>\$ 21,599,787</u>

* Period of transition from calendar year to fiscal year.

BARROW, WADE, GUTHRIE & CO.

Accountants and Auditors

Girard Trust Building

Philadelphia, Pa.

*To the Board of Directors of
American Stores Company:*

We have examined the consolidated balance sheet of American Stores Company and its subsidiary companies as of April 1, 1950, and the related statement of consolidated income and earnings retained for use in the business for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earnings retained for use in the business present fairly the consolidated financial position of American Stores Company and its subsidiary companies at April 1, 1950, and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

BARROW, WADE, GUTHRIE & CO.

May 25, 1950



A small representative group of the hundreds of commodities packaged and distributed under American Stores labels. Wide public acceptance of these items attests to the high quality of Company brand merchandise.

REGISTRARS

Liberty Title & Trust Company
Philadelphia, Pa.

City Bank Farmers Trust Company
New York, N. Y.

TRANSFER AGENTS

The Pennsylvania Company for Banking and Trusts
Philadelphia, Pa.

Commercial National Bank & Trust Company
New York, N. Y.

Printed in U. S. A.